

Internal Audit

Audit Plan Overview

To provide district-wide coverage, the audit approach will span across the following areas:

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Special Projects

- RMA Phase II Implementation
 - Addressing Tier I Risks
 - Embedding RMA in Continuous Improvement
- Develop and facilitate training around Board Policies & Procedures
- Serve as a consultative resource to other departments - timely management advice/best practices in a cost-effective manner

2

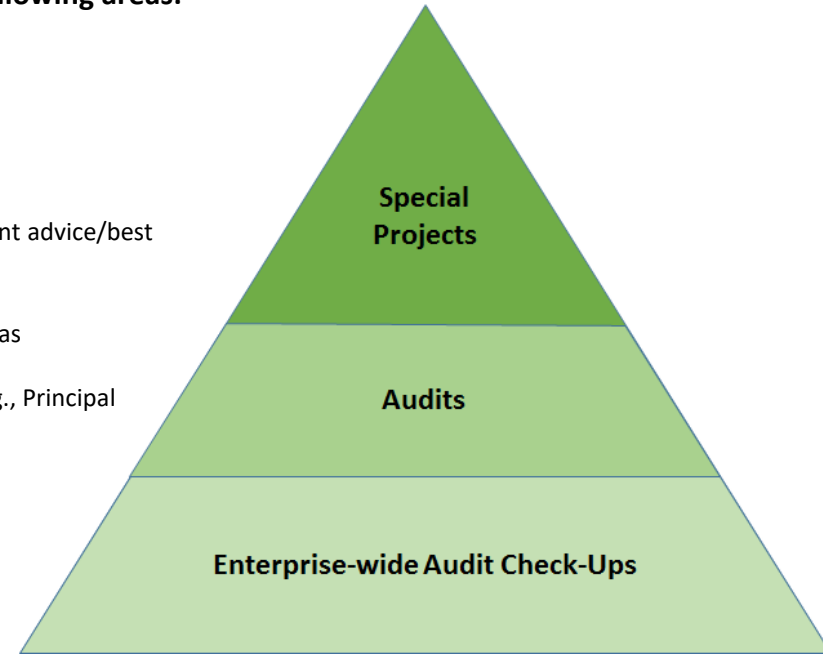
Audits

- Provide uniform audit coverage, layered with prioritization of high-risk areas
- Central Office - Prioritized by RMA as well as Board/management request
- School Audit Coverage - Prioritized by data analytics, audits by request (e.g., Principal Transition Reviews, or “PTRs”, and Limited Scope Audits) and a schedule of audits to ensure uniform coverage

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Enterprise-wide Audit Check-Ups

- On-going risk-based discussions with all 72 departments
 - Identify progress on mitigating strategies toward risks identified during RMA
 - Pre-audit assessment of internal controls, compliance, and overall operational efficiency
- Implementation of data analytics for continuous monitoring in high-risk areas, including compliance monitoring (e.g., testing)
- Annual touch-point with all district-run schools with pre-audit reviews of areas with common findings (e.g., cash handling)



Expanded Enterprise Risk Management

- Development of cross-functional Risk Committee that bolsters data analytics, risk management processes, internal controls and oversight around student safety and climate in order to ensure a safe and supportive school environment that is critical to successful learning
- Committee is currently comprised of members from Internal Audit, IT, Law, Office of Student Protection, Safety & Security, Talent, Social Emotional Learning, and Risk
 - Committee cadence is currently monthly with more frequent subcommittees meetings
- Developed analytical tool to flag high risk areas; continuous enhancement of interactive dashboard tool which provides real-time data analysis, including
 - Examining data on incidents and litigation to determine trends
 - Implement preventative measures and improve reporting of trends to appropriate parties
 - Improve quality of data through training on incident reporting and technological solutions
- Develop policies, protocols and responses to ensure mitigation of high risk areas and integrity around internal controls and processes



Central Office Update

Travel Expenses & Reimbursements - In Progress

- Analytical procedures were conducted over travel expense account population during the period of July 1, 2016 thru December 31, 2018.
- Sample selections based on flags indicated by analytical procedures including Split Transactions, Duplicate Reimbursements, Excessive Expenses, Untimely Submissions, Approved after the Fact, etc.
 - Detailed testing over Sample Selections in progress; confirming identified exceptions with stakeholders
- Next Steps: Communicate policy improvement suggestions to stakeholders and finalize audit report

Student Sports Safety - Planning Phase

- Audit Objective: Perform assessment over policies, procedures and regulations regarding student safety while participating in sports and physical education.
- In progress of developing testing procedures over the following areas:
 - Sports Administration
 - Physical Education

NWEA Testing - Q4 Plan

- Assist Office of Student Assessment in performing testing observations
 - Observations will take place during testing window of May 13, 2019 - June 14, 2019
- Additional collaboration has taken place with the Office of Student Assessment as well as ODLSS to expand training around testing, especially in the area of accommodations for students with IEPs

STLS Student Eligibility

- Assisting OCCS in performing accountability checks

Audit Follow Up and Reporting

- Expanded reporting and follow up on previous audits to confirm Management Action Plan are being implemented



School Audits Update

- In February 2019, IAC kicked off a goal to audit every high school every 3-years and every elementary school every 6-years by June 30, 2019**
 - 62 Full Scope Audits to be completed to meet goal (in 4 months)
 - 21 Full Scope school audits completed (as of April 1) and is on schedule to complete the remaining 42 by June 30.
 - 25 Principal Transition Reviews (PTRs) have been completed YTD
 - By FY20, the goal is to audit every elementary school every 5-years as well which would require an additional 105 audits next year
- These full scope audits include the expanded scope which focuses on student safety and climate**
 - Safety & Security:** Verify Recording Procedures, Sexual Abuse & Response Training Completion, Anti-Bullying Policy Compliance, Hallway & Bathroom Procedures, AED Defibrillators, EpiPens
 - Sports Safety:** Aquatics safety (Pool Operating Hours & Procedures), Sports Equipment maintenance and secure storing, Physical Education (observation/inventory of equipment and overall condition of PE equipment and gymnasium)
- IAC has also expanded its follow up on FY18 & FY19 audits**
 - Followed up on a total of **84 audits** (follow up is conducted on finalized audit reports with upcoming/past due management action plans)
 - 54 (64%) schools have confirmed implementing Management Action Plans
 - Additional follow up is being conducted for remaining 32 schools

Audit Type	Audits	Satisfactory	Needs Improvement	Unsatisfactory	
Principal Transition Review	25	1	14	10	
Full Scope	18	10	8	0	
Limited Scope	3	0	0	3	
Total	46	11	22	13	
School Type	FY17	FY18	FY19 YTD Completed	FY19 Remaining	FY19 Total Goal
High Schools	14	27	17	5	23
Elementary Schools	46	53	4	37	39
PTRs	3	33	25	*	25
Total	63	113	46	42	87

* PTRs are upon new Principal request



Finance

General Operating Fund Summary

(\$ in millions)	Budgeted through 12/31/2018	Actuals through 12/31/2018	Variance	Budgeted End of Year FY2019	Projected End of Year FY2019	Variance
Revenues	1,321.5	1,172.4	(149.1)	5,921.6	5,946.2	24.6
Expenditures	2,310.5	2,153.6	156.9	5,984.3	5,946.2	38.1
Reserves	-	-	-	62.7	-	(62.7)
Revenues and reserves over (under) expenditures	(989.0)	(981.2)	7.8	-	-	-



General Operating Fund Budget to Actuals: Revenues

(\$ in millions)	Budgeted through 12/31/18	Actuals through 12/31/18	Variance	Budgeted End of Year FY2019	Projected End of Year FY2019	Variance	End of Year Variance Notes
Property Taxes	51.3	54.5	3.2	2,899.4	2,899.4	-	In line with expectations
Replacement Taxes	34.0	35.2	1.2	126.2	126.2	-	In line with expectations
State Aid	859.9	832.2	(27.7)	1,849.2	1,849.2	-	In line with expectations
Federal Aid	294.8	208.4	(86.4)	805.3	795.3	(10.0)	EOY variance due to lower than expected spending against reimbursable federal grants; CPS is allowed to carry forward the unspent grant dollars into next year
Interest and Investment Earnings	1.8	2.7	0.9	5.0	5.0	-	In line with expectations
TIF Surplus	-	-	-	22.3	96.9	74.6	TIF surplus allocation of \$96.9M finalized by city after CPS budget
Other	79.7	39.4	(40.3)	214.2	174.2	(40.0)	Other revenues include City of Chicago pension contributions, charter facility fees, school-raised funds, and private donations; variance due to contingency budgeted as miscellaneous revenue
Total Revenues	1,321.5	1,172.4	(149.1)	5,921.6	5,946.2	24.6	



General Operating Fund Budget to Actuals: Expenditures

(\$ in millions)	Budgeted through 12/31/18	Actuals through 12/31/18	Variance through 12/31/18	Budgeted End of Year FY2019	Projected End of Year FY2019	End of Year Variance	End of Year Variance Notes
Salaries	1,116.9	1,125.3	(8.4)	2,518.4	2,518.4	-	In line with expectations
Benefits	196.9	161.7	35.2	424.5	407.5	17.0	17M in lower than anticipated healthcare claims
Pensions	187.9	184.4	3.5	1,026.4	1,017.4	9.0	9M of underspend due to excess pension levy collected in 2018 2nd installment of property taxes
Purchased Services	559.1	537.9	21.2	1,376.8	1,374.3	2.1	Estimated 2.1M in departmental underspend
Other (Debt service, rent, and grant contingencies)	144.1	31.1	113.0	358.0	348.0	10.0	10M in savings from decreased short term borrowing
Supplies and Materials	91.2	92.6	(1.4)	238.1	238.1	-	In line with expectations
Building Repair and Equipment	14.4	20.6	(6.2)	42.1	42.1	-	In line with expectations
Total Expenditures	2,310.5	2,153.6	156.9	5,984.3	5,946.2	38.1	

